

UNITED STATES GOVERNMENT

PRODUCTION 5-2

# Memorandum

TO : Director of Economic Research

DATE: 30 August 1967

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SUBJECT: Nationalization of ESSO and MOBIL Facilities in Algeria

REF : UPI 032A and UFI 033A, dated 30 August 1967

1. Reference indicates that Algeria today nationalized five American-run oil companies. On June 6, 1967, during the Arab-Israeli war, the Algerian government placed all American firms under State supervision but drew a distinction between temporary control and nationalization. Today's action removed that line for the five oil companies. These companies have been engaged primarily in distribution, although, as indicated below, one has been engaged in exploration and two have interests in the Algiers oil refinery, which has a capacity of 42,000 barrels per day.

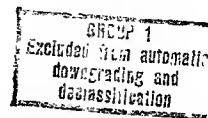
<u>Company</u>	<u>Activity</u>
ESSO Standard Algerie	Transport
ESSO Africa	Marketing and a 17.6% interest in Algiers refinery
ESSO Saharienne	Exploration (In- active since Arab- Israeli war)
MOBIL Cil Nord Africaine	Marketing
MOBIL Cil Francaise	Transport and a 6% interest in Algiers refinery

The ESSO distribution system consisted of a terminal and service stations, and the Mobil facilities involved probably are similar. Undoubtedly the U.S. companies will contest nationalization and seek prompt compensation as a matter of principle, but it is doubtful that they are greatly concerned. Not much investment is involved and distribution activities have not been very profitable because marketing margins in Algeria have been too low.



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2. ESSO served about 22 percent of the Algerian market and MOBIL about 8 percent. As the Algerian market consisted of about 9 million barrels per year for domestic use and 1.4 million for the bunker trade, the affected facilities probably were handling about 3 million barrels per year. The value of the facilities cannot be great. The capital of the Societe de la Raffinerie d'Alger, which owns the refinery, is only about \$8 million. In January the British Petroleum Company Ltd. (BP) sold its distribution network which served 13 percent of the market, and a 10.4 percent interest in the Algiers refinery to SONATRACH, the Algerian government-owned oil company for \$1.2 million. The BP distribution network was valued at \$4.5 million but this amount was more than offset by debts owed to Algeria, in large part to the Algerian customs. In the end BP owed SONATRACH \$120,000 on the distribution system portion of the deal. On the basis of the value of BP interests and relative shares in the market and the refinery, the ESSO and MOBIL distribution systems may have a combined value of about \$10 million and their combined interest in the refinery may be about \$3 million. If there are offsetting obligations, as in the case of BP, the amounts involved in the nationalization would be somewhat less.

3. Acquisition of the ESSO and MOBIL interests increases SONATRACH's share of the market to about 43 percent and its share in the Algiers refinery to 44 percent, allowing for its half interest in the 10 percent owned by the French-Algerian Societe Nationale de Recherches et d'Exploitation en Algerie (SN Repal). Other owners are Royal Dutch Shell (18 percent), Compagnie Francaise des Petroles (Algerie) /CFP(A) (20 percent), and Compagnie Francaise de Raffinage (CFR) (12 percent).

4. Thus far, there has been no move to nationalize U.S. companies producing oil in Algeria, such as MOBIL Sahara. Five U.S. companies, Sinclair, Phillips, Mobil, El Passo, and Tidewater, are producing oil in Algeria, but their share in total production is small, only about 7 percent.

<u>National Interest</u>	<u>Percent of Total Production</u>
The Netherlands (Royal Dutch Shell)	3
U.S. Companies	7
French Companies	75 - 80
Algerian Interest (SONATRACH plus shares in French Companies)	10 - 15

Most of the production in Algeria is by French controlled companies. SONATRACH has a 50 percent interest in SN REPAL, which owns part of the Hassi-Messaoud oil field, and a 15 percent interest in the CFP(A), which owns the rest of Hassi Messaoud. Nearly 45 percent of the oil produced in Algeria comes from Hassi Messaoud. In June 1967, production began on a small scale, about 2.5 percent of monthly production, at a newly discovered field, Berkaoui/Ben Kahla, owned by ASCOP, which is comprised of SONATRACH (50 percent), and the French owned companies Societe Petroliere Francaise en Algerie SOPEFAL (16.3 percent), and CFP(A) (33.7 percent).

5. Algeria evidently intends to provide for its own oil requirements, as another decree issued on 30 August requires all foreign oil producing firms, henceforth, to sell their oil outside Algeria. There is further evidence that Algeria is interested in acquiring greater control over production. Some U.S. companies producing in Algeria have been approached unofficially with a proposal that they contribute their present concessions as investment in a new company in which Algeria would be the major stockholder. Under this arrangement the companies would continue to manage, and as joint companies would no longer be subject to discrimination. They would also pay taxes to the Algerian government based on the lower reference price now reserved for French companies.

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CLASSIFICATION

CIA OPERATIONS CENTER

SELECT FOR THE DCI

SUBJECT: AMERICAN-RUN OIL COMPANIES NATIONALIZED IN

ALGERIA

Time Stamp

SOURCE : UPI 032A

SELECTS
<i>[Signature]</i>
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DI 032A

D: OIL 8/30 NX

BULLETIN

ALGIERS (UPI)--ALGERIA TODAY NATIONALIZED FIVE AMERICAN-RUN OIL COMPANIES, THE OFFICIAL JOURNAL SAID TODAY IN AN ANNOUNCEMENT.

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URGENT

1ST ADD OIL ALGIERS 032A XXX ANNOUNCEMENT.

THE ANNOUNCEMENT NAMED THE FIVE COMPANIES AS ESSO-STANDARD ALGERIE, ESSO-AFRICA AND ESSO-SAHARIENNE, AS WELL AS MOBIL OIL-NORD AFRICAINE AND MOBIL OIL-FRANCE.

ALGERIA HAS BEEN AMONG MILITANT ARAB NATIONS DEMANDING PUNISHMENT OF WESTERN NATIONS ACCUSED OF ALLEGEDLY AIDING ISRAEL'S JUNE VICTORY IN THE MIDDLE EAST WAR.

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2ND ADD OIL ALGIERS 032A X X X WAR.

ALGERIA BROKE RELATIONS WITH WASHINGTON DURING THE SIX-DAY WAR. AT THE TIME, THE ALGERIAN GOVERNMENT OF PRESIDENT HOUARI BOUMEDIENNE PLACED ALL AMERICAN FIRMS UNDER CONTROL OF THE STATE.

BUT THE GOVERNMENT DREW A CAREFUL DISTINCTION AT THAT TIME BETWEEN TEMPORARY CONTROL AND NATIONALIZATION. TODAY'S ACTION ERASED THAT LINE FOR THE FIVE OIL COMPANIES.

BOUMEDIENNE, A MILITANT IN THE ARAB CAMP, NEVER HAS RECOGNIZED OFFICIALLY THAT THE JUNE WAR WITH ISRAEL IS OVER. HE URGED OTHER ARAB LEADERS TO CARRY OUT A GUERRILLA TYPE WAR AGAINST ISRAEL BUT MODERATE ARABS HAVE VOICED OPPOSITION TO SUCH A PLAN.

THE ALGERIAN ACTION CAME AS OTHER ARAB CHIEFS OF STATE WERE MEETING IN KHARTOUM, THE SUDAN, TO PLAN A COURSE OF ACTION IN REGARD TO ISRAEL. THE ARAB CHIEFS WERE ALSO DISCUSSING POSSIBLE REPRISALS AGAINST WESTERN NATIONS THEY CALL ISRAEL'S "FRIENDS."

ONE OF THE SUGGESTED REPRISALS AGAINST THE UNITED STATES AND BRITAIN WAS A COMPLETE BAN ON THE SALE OF OIL.

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